



LEO FLORES

Webb County Auditor

1110 Washington St.
Suite # 201
Laredo, Tx. 78040

956-523-4016
(fax) 956-523-5001
lflores@webbcounty.com

March 1, 2003

Hon. County Judge and Commissioners
Hon. Members of the Auditors Board of District Judges

The Comprehensive Annual Financial Report (CAFR) of Webb County for the fiscal year ended September 30, 2002 is submitted herewith. The report was prepared by the County Auditor's staff with assistance from many other County departments. The information is accurate in all material respects and all necessary disclosures are included for a reasonable understanding of the County's financial activities. Responsibility for the accuracy of the presented data and for the completeness and fairness of the presentation, including all disclosures, rests with the County.

REPORT STRUCTURE

The Introduction Section holds the Auditor's Letter of Transmittal, graphs displaying different economic trends, the Certificate of Achievement for Excellence in Financial Reporting, the county's organizational chart, and a list of county officials described by name and position.

The Financial Section has the independent auditor's report, Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information, Combining Statements and Supplementary Information.

The Statistical Section includes a ten year history of the county's financial activities, tax rates direct and overlapping, economic data, demographic data, and other related information.

The Compliance Section contains the independent auditor's report on the county's internal control structure and compliance with specific requirements applicable to federal financial assistance programs in accordance with Government Auditing Standards and OMB Circular A-133 and UGCMS. This section also includes a schedule of Federal Financial Assistance and a schedule of Federal Findings and Questioned Costs.

COUNTY GOVERNMENT OVERVIEW

Webb County was created in 1848 as a political subdivision of the State of Texas. It is located in the southwest part of the state along the Rio Grande River bordering Mexico. It occupies three thousand three hundred sixty six (3,366) square miles of land area, making it the fifth (5th) largest county in the state. The county operates under judicial and administrative powers explicitly afforded counties by the State Constitution and by State Statutes. It is governed by a county judge and four (4) county commissioners each representing one of four (4) precincts.

The Child Welfare Unit and the Community Action Agency are components of the county that operate with advisory boards. Operational authority, however, remains with commissioner's court. Both are included in the Special Revenue Funds section of the financial reports. The Child Welfare Unit is funded by the state and provides child protective services. The Community Action Agency is funded by Federal and State Grants and by county contributions. The Agency provides health and welfare services for the needy, food services for the elderly, transportation to/from rural areas, energy conservation home improvements, and community neighborhood centers.

MAJOR INITIATIVES

The Economic Development Department actively pursues capital and funding sources by way of federal and state grants and by inter-local agreements with other government entities. Focus is primarily on quality of life issues for communities in rural areas that are under-developed settlements with no access to utilities or potable water. The department has acquired grants tailored to strengthen areas of law enforcement, child development programs, and to assist affordable housing programs.

ACCOUNTING SYSTEM

Webb County uses a modified accrual basis of accounting to account for all governmental fund types. Revenues are recorded when they become available and are measured in exact amounts. Liabilities are incurred through the use of a purchase order system and recorded in the general ledger as encumbrances when a purchase order is issued. Encumbrances are later recorded as expenditures when payment is disbursed. Encumbrances outstanding at the end of a year are carried forward to the next fiscal year. Accounts of the county are organized on the basis of funds and account groups. Each is considered a separate accounting entity (fund) and reported with a set of revenues and expenditures. Resources generated from governmental entities are allocated to and accounted for in individual funds according to the fund purpose.

Governmental Accounting Standards Board (GASB) issued Statement No. 34 which establishes a new financial reporting model for state and local governments. The new model requires that, at a minimum, the basic financial statements of a government will include: (1) management's discussion and analysis as a component of required supplementary information; (2) both government-wide financial statements and fund financial statements; (3) notes to the financial statements; and (4) supplementary information other than management's discussion and analysis. The CAFR will still need to include appropriate combining and individual fund statements and schedules as part of the financial section, as well as separate introductory and statistical sections.

The implementation of GASB Statement No. 34 is mandated for Webb County as phase 2 which includes governments with total annual revenues of \$10 million or more but less than \$100 million for periods beginning after June 15, 2002. GASB Statement No. 34 also set the retroactive reporting of major networks and subsystems of general infrastructure assets in phase 2 for years beginning after June 15, 2006. Finally, a component unit must implement GASB Statement 34 no later than its primary government, regardless of the amount of the component unit's own total revenues.

Although Webb County is not required to implement GASB 34 reporting requirements until September 30, 2003, the reporting requirements pursuant to GASB 34 were accomplished and put into effect with financials for fiscal year ended September 30, 2002.

CASH MANAGEMENT

County funds are placed on deposit at the officially designated county depository. The county treasurer has statutory custody, accountability, and investment authority, pursuant to investment policies, of all monies received by the county.

DEBT ADMINISTRATION

The property tax rate for the calendar year ending December 31, 2002 was \$.457923 per \$100 of assessed valuation. The debt service portion of the tax rate is \$.083408 and is used to service principal and interest payments on certificates of obligation, general obligation bonds, and equipment lease/purchase obligations.

Debt payments for FY 2001-2002 totaled \$4,892,630. Principal payments on bonds and certificates of obligation were \$1,886,633; interest and other charges totaled \$2,552,866; lease payments on equipment notes totaled \$330,355; and \$122,776 was paid on the LoanSTAR energy savings note.

BUDGETARY CONTROLS

As the official budget officer, the county judge submits a budget to commissioners court in a manner prescribed by state statute. The court can adopt the budget as submitted or propose changes that will require a majority vote of the court to get adopted. The county's fiscal year begins October 1st and ends September 30th, but a different fiscal year period for a department may be prescribed by a funding source.

Oversight authority and responsibility for county funds rests with commissioners court. Fiscal activity is recorded on one mainframe computer that county departments utilize to prepare monthly reports required by state law.

The county auditor has access to the budgetary accounting program and monitors budget line item balances before allowing disbursements. The auditor submits reports of departmental revenues and expenditures to the auditor's board of district judges and to commissioners court during regularly scheduled meetings and periodically provides information to other county officials when information is requested or needed.

INTERNAL CONTROLS

Internal controls are the single most important element in the accounting system to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition

and that financial records are reliable for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of internal controls is no greater than the benefit to be derived and that the amount of such costs versus the benefits is based on estimates and decisions made by management. The county's internal controls are regularly examined and changes are adopted when necessary to maintain their effectiveness in safeguarding public funds and assets.

RISK MANAGEMENT

The Risk Management Department was initiated by commissioners court in October 1988. Primary responsibilities include the coordination of employee health and life insurance benefits, workers compensation benefits, administration of IRS section 125 Cafeteria Plan, COBRA plan benefits, and the Property Casualty and Liability Insurance Package. The department has a safety program in place to reduce workers compensation claims and liability exposures. Training sessions are held throughout the year to assure employee awareness of safety in the workplace.

The month of May is recognized as "Health & Safety" month by commissioners court. Monthly events include training courses in CPR and first aid, a health fair with video presentations in connection with safety in the workplace, and a two-day conference addressing personnel management and liability issues.

The risk manager has responsibility to procure the services of insurance professionals to obtain plans to better meet the needs of the county and its employees. Case management is contracted to an outside entity in efforts to contain costs and to encourage employee rehabilitation. Periodic reports on loss control and loss occurrence are provided to commissioners court by the risk manager.

PROPRIETARY OPERATIONS

Proprietary Fund types are organized to be self-supporting through user charges of outside parties (Enterprise Fund) or through other departments or agencies primarily within the governing unit (Internal Service Funds). The Webb County Water Utility Fund was initiated in August 1993 as an Enterprise Fund. The County purchased the Rio Bravo Water Plant from the original developer for \$272,908 with funds provided by a grant from the Texas Department of Housing and Community Affairs. Special legislation was passed by the State of Texas to statutorily allow the county to operate a water utility system, making it the first county in the state to do so. The Webb County Health Benefits Fund and the Webb County Worker's Compensation Reserve Fund are Internal Service Funds.

FIDUCIARY OPERATIONS

Trust and Agency Funds used to record assets held by the county in a trustee capacity or as an agent for others are included in the fiduciary grouping. Webb County has two fiduciary trust funds and seven agency funds which include the District Clerk Fund (Escrow), the County Clerk Fund (Escrow), the Tax Assessor-Collector Fund, the Sheriff Inmate Fund, the District Attorney Hot Check Processing Fund, the District Attorney Pool Forfeiture Fund, and the Cash Bonds Fund.

INDEPENDENT AUDIT

The Certified Public Accounting firm of Baum, Mejia & Co., P.L.L.C. audited the County's Financial Statements in conformity with generally accepted accounting principles (GAAP) and in accordance with generally accepted auditing standards. Their Independent Auditor's Report opinion letter precedes the financial statements in the Financial Section of the report. The firm also conducted federal audit procedures to comply with specific requirements of the Federal Single Audit Act Amendment of 1996 and the related OMB Circular A-133. Their letters in that regard are included in the Single Audit Section of the report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The County's MD&A can be found immediately following the report of the independent auditors.

THE COMMUNITY AND THE ECONOMY

At the center of the primary trade route connecting Canada, the United States and Mexico, the City of Laredo (county seat) offers markets, business opportunities and profit potential which business and industry cannot find anywhere else. Laredo has an annual average of 320 sunny days, mild winters and high summer daytime temperatures with low humidity. Laredo is the U.S. principal port of entry into Mexico, located at the southern most end of IH 35, 154 miles of San Antonio, 145 miles west of the Gulf Coast and 147 miles north of Monterrey, Mexico.

In the 1900's Laredo's population grew three times faster than the State; it created new jobs at a rate twice as fast as the State; and it outpaced the State in terms of per capita income growth. Since the implementation of NAFTA (1994), trade between the U.S. and Mexico has increased by 200 percent. Laredo's port of entry accounts for a third of U.S.-Mexico overland (truck and rail) merchandise trade.

Laredo stands today as one of the fastest growing cities in the country and the largest land port on the United States-Mexico border. New businesses continue to make Laredo their home, capitalizing on the thriving markets on both sides of the border. At Texas A&M International University, a \$49.5 million building expansion is under construction and will increase campus facilities by sixty percent to meet the demands of the growing population of students. A fifth international bridge in south Laredo is in the planning and the newly built Laredo Entertainment Center, home to a professional ice hockey team, had tremendous success in its first year of operation. Laredo is the seat of a new Catholic Diocese that covers seven counties (11,000 square miles) headquartered at the historic San Agustin Cathedral in downtown Laredo.

CERTIFICATE OF ACHIEVEMENT

Webb County was awarded a “*Certificate of Achievement for Excellence in Financial Reporting*” by the Government Finance Officers Association of the United States and Canada (GFOA) for its Comprehensive Annual Financial Report for the year ended September 30, 2001. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of government financial reports.

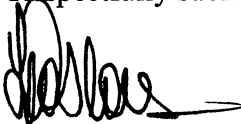
To be honored with the Certificate of Achievement award, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Webb County has received a Certificate of Achievement for the last eleven years (1991 thru 2001). This year’s Comprehensive Annual Financial Report was prepared to meet with the requirements of the Certificate of Achievement program and it will be submitted to GFOA for that consideration.

ACKNOWLEDGEMENTS

Clearly, preparing a report of this dimension is not an easy task. The successful completion could not have been possible without the hard work, dedication, and long hours willingly given by the entire County Auditor’s staff. Personal and special appreciation is extended to each of them and most notably to Chief Deputy Auditor Rafael Perez. Particular appreciation is also extended to all elected and appointed county officials for their cooperation, particularly to the County Judge and Commissioners. In addition, very sincere and grateful appreciation is extended to the Auditor’s Board of District Judges for the leadership role they provide and for supporting the goals and mission of the office of the Webb County Auditor.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Leo Flores', with a long horizontal flourish extending to the right.

Leo Flores
Webb County Auditor